

STATE OF RHODE ISLAND  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION	)	Docket No. 3497
OF THE PAWTUCKET WATER SUPPLY	)	
BOARD FOR AN INCREASE IN RATES FOR	)	
WATER SERVICE	)	

SURREBUTTAL TESTIMONY OF  
ANDREA C. CRANE  
REGARDING REVENUE REQUIREMENTS

ON BEHALF OF  
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

July 24, 2003

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### Supporting Schedules

Response to DIV 4-1

Response to DIV 4-8

Response to DIV 4-9

**I. INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is Andrea C. Crane and my business address is 38C Grove Street, Ridgefield, Connecticut 06877.

**Q. Did you previously file testimony in this proceeding?**

A. Yes, on June 11, 2003, I filed Direct Testimony on behalf of the Division of Public Utilities and Carriers (“Division”). In that testimony, I recommended that the State of Rhode Island, Public Utilities Commission (“Commission”) approve a rate increase of \$1,115,581, or approximately 9.73% over total pro forma rate revenue at present rates, for the Pawtucket Water Supply Board (“PWSB” or “Board”).

**Q. What is the purpose of your Surrebuttal Testimony?**

A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimonies submitted on behalf of the PWSB by Pamela M. Marchand, David G. Bebyn, and Christopher P.N. Woodcock on July 10, 2003. In its Rebuttal Testimonies, the PWSB has revised its rate increase request from \$3,157,390 to \$3,086,069.

**Q. Have you revised your recommended revenue requirement increase as a result of the PWSB’s Rebuttal Testimony?**

A. Yes, I have. As discussed below, the PWSB has accepted certain adjustments proposed in

1 my Direct Testimony. In addition, as a result of updated information, I am accepting certain  
2 expense claims made by the PWSB that I originally recommended be disallowed. Based on  
3 all of these changes, I am now recommending a rate increase of \$1,362,967 for the PWSB, as  
4 shown on Schedule ACC-1, Rebuttal.

5  
6 **II. ISSUES NO LONGER IN DISPUTE**

7 **Q. Please summarize the expense claims that the PWSB revised in its Rebuttal**  
8 **Testimony and which are no longer in dispute.**

9 **A.** The PWSB revised several of its expense claims in its Rebuttal Testimony. As a result of  
10 these revisions, I no longer have a disagreement with the PWSB with regard to its claims for  
11 Health Benefits Expense, Printing (Administration), Printing (Customer Service), Outside  
12 Services (Customer Service), Property Taxes, or Beeper Stipends.

13  
14 **Q. Please summarize the expense claims that you are accepting based on new or updated**  
15 **information provided by the PWSB in data request responses and in its Rebuttal**  
16 **Testimony.**

17 **A.** As a result of updated information, I am now accepting the PWSB's claims for Leak  
18 Detection Costs, Capital Leases, Overtime, Retail Revenues, and Surcharge Revenues.

19  
20 **Q. Please summarize the additional information that resulted in your acceptance of the**  
21 **PWSB's claim for Leak Detection costs.**

1 A. With regard to Leak Detection Costs, the PWSB initially provided a data request response  
2 indicating that it had several options with regard to the type of leak detection equipment that  
3 it could procure. Certain types of equipment were notated on this response, suggesting that it  
4 was the specific equipment that the PWSB planned to acquire. My original adjustment was  
5 based on this less expensive equipment option. In her Rebuttal Testimony at page 8, Ms.  
6 Marchand indicated that the PWSB planned to purchase the Zcorr4 model at a cost of  
7 \$20,000, which is consistent with its original claim in this case. This information was also  
8 confirmed in a follow-up data request response (DIV 4-8) that was received subsequent to the  
9 filing of my Direct Testimony. Therefore, I am accepting the PWSB's claim for costs  
10 associated with leak detection equipment.

11  
12 **Q. What additional information did the PWSB provide in support of its Capital Lease**  
13 **costs?**

14 A. In her Rebuttal Testimony at page 8, Ms. Marchand acknowledged that the PWSB will incur  
15 fiscal year 2004 costs of only \$73,069 relating to existing leases, well below the PWSB's  
16 claim of \$110,689. However, she also stated that the PWSB had plans to purchase three  
17 additional vehicles in fiscal year 2004, which would increase the PWSB's capital lease costs  
18 up to the amount claimed in the filing. Specifically, the PWSB plans to lease one 4X4 Ford  
19 Ranger Pickup, one 4X2 Ford F250 Utility Van, and one valve turning truck for a total lease  
20 cost of \$37,500. The PWSB also provided a schedule showing anticipated lease costs  
21 through 2007 that included an estimated cost for fiscal year 2004 of \$110,600. Based on all

1 of this information, I am accepting the PWSB's claim for capital leases.

2  
3 **Q. Please discuss the additional information provided in Rebuttal Testimony regarding the**  
4 **PWSB's claim for Overtime costs.**

5 A. In her Rebuttal Testimony, Ms. Marchand stated that in fiscal year 2003, overtime costs to  
6 date have amounted to \$172,211. If I recalculate my recommended three-year average of  
7 overtime costs, using \$172,211 for fiscal year 2003, the resulting three-year average is  
8 \$140,483, not substantially different from the \$144,847 included in the PWSB's claim.  
9 Moreover, since the amount reported in Ms. Marchand's testimony apparently does not  
10 include data for the entire fiscal year, then the three-year average would actually be slightly  
11 higher than the amount calculated above. Accordingly, the PWSB's overtime expense claim  
12 now appears reasonable based on the actual results for fiscal year 2003 to date.

13  
14 **Q. Are you accepting the methodology used by the PWSB to calculate its overtime costs?**

15 A. No, I am not. While I have accepted its overtime cost claim, I do not believe that the  
16 methodology used by the Board is appropriate. As stated in my Direct Testimony, the PWSB  
17 increased its actual test year overtime costs by annual wage increases of 3.0% through the  
18 rate year to determine its rate year claim. However, Ms. Marchand acknowledges on page 5  
19 of her Rebuttal Testimony that overtime costs fluctuate from year to year.

20 Ms. Crane is correct that overtime costs fluctuate from year to year.  
21 This depends greatly on the weather. More severe winters will result  
22 in more water main breaks and frozen meters. As a result, more

1 overtime is required. This was certainly true this last winter.  
2

3 Given these fluctuations, the use of the test year costs adjusted to reflect wage  
4 increases does not represent a normalized, on-going perspective level of expense. Therefore,  
5 while I have accepted the amount of overtime costs included in the PWSB's claim, I continue  
6 to recommend that overtime costs be developed based on a three-year average of such costs.  
7

8 **Q. What additional information has the PWSB provided with regard to Retail Revenues?**

9 A. In his Rebuttal Testimony at pages 1-2, Mr. Bebyn stated that consumption data provided in  
10 the Annual Report to the Commission for the fiscal years 2001 and 2002 was overstated. He  
11 indicated that the PWSB would be amending its Annual Reports to the Commission to reflect  
12 lower consumption in these fiscal years. Based on this information, the PWSB's actual test  
13 year consumption as reflected in the filing may not be materially different from the average  
14 consumption experienced over the past five years. Accordingly, I have accepted the PWSB's  
15 claim for retail revenue. However, once again my acceptance of this claim does not  
16 constitute acceptance of the methodology used by the PWBS. Given that metered  
17 consumption fluctuates from year-to-year, primarily as a result of variations in temperature  
18 and rainfall, I continue to recommend the use of an average consumption over a period of  
19 time to determine a "normalized" level of consumption for ratemaking purposes.  
20

1 **Q. Do you have any additional comments regarding the PWSB's retail revenue claim?**

2 A. It is imperative that the Commission have accurate consumption data on which to base its  
3 review of the PWSB's operations, its financial requirements, and ultimately its rates.  
4 Ratepayers also should expect accurate reporting from the PWSB. It appears that the Annual  
5 Reports provided to the Commission have been unreliable on multiple occasions in the past.  
6 PWSB implemented a new computer system three years ago that was supposed to rectify  
7 prior data problems. Now we find that the same problems continue to exist. Both the  
8 Commission and the Division have a right to expect that the data provided by the PWSB in  
9 its Annual Report to the Commission is reliable.

10  
11 **Q. Do you have any comments on the discussion of Surcharge Revenue, per page 3 of Mr.**  
12 **Bebyn's testimony?**

13 A. Yes, Mr. Bebyn points out that the surcharge is not applicable to wholesale sales. Given that  
14 I have now accepted the Board's claim for retail sales, and given the fact that the surcharge is  
15 not applicable to wholesale sales, my recommendations will have no impact on the level of  
16 Surcharge Revenue to be retained by the PWSB. Therefore, the adjustment to Surcharge  
17 Revenue that was included in my Direct Testimony should be eliminated.

18  
19 **Q. As a result of the revisions discussed above, have you eliminated certain schedules**  
20 **that were filed with your Direct Testimony?**

21 A. Yes, I have eliminated the schedules for those issues that are no longer in dispute. Therefore,



the following schedules, which were filed with my Direct Testimony, are being withdrawn:  
Schedule ACC-2, ACC-4, ACC-8, ACC-10, ACC-13, ACC-15, ACC-16, and ACC-18.

### **III. ISSUES STILL IN DISPUTE**

**Q. Which expense claims are still in dispute between the Division and the PWSB?**

A. I continue to recommend adjustments to the PWSB's claims for Wholesale Revenue, Treatment Plant Related Costs, Salaries and Wages, Training and Education, Postage, Non-Recurring Costs, Chemical Costs, Regulatory Commission Expense, Infrastructure Rehabilitation Funding, Operating and Maintenance Reserve, and Operating Revenue Allowance.

**Q. Why are you continuing to recommend an adjustment to the PWSB's claim for wholesale sales?**

A. Both Mr. Bebyn and Ms. Marchand argue in their Rebuttal Testimonies that wholesale sales in fiscal year 2001 and fiscal year 2002 were abnormally high. In fact, in rate filings, the PWSB has consistently argued that its actual test year wholesale sales are abnormally high. Perhaps the problem is actually that the PWSB's forecasts are consistently low.

In my Direct Testimony, I recommended an adjustment to increase the PWSB's pro forma revenue claim by \$115,884 to reflect additional wholesale sales. This adjustment resulted in a total pro forma wholesale revenue recommendation of \$1,003,670. In response to DIV 4-9, which was not received until my Direct Testimony was filed, the PWSB reported

1 wholesale revenue of \$1,085,863 in fiscal year 2003 to date. Thus, my adjustment appears  
2 reasonable in light of this data request response. However, in informal discussions with the  
3 Board, I have now been told that the response to DIV 4-9 is incorrect. Moreover, on page 2  
4 of her Rebuttal Testimony, Ms. Marchand reported total wholesale sales for fiscal year 2003  
5 of 598,000 HCFs, which would result in significantly less revenue than the amount reported  
6 in DIV 4-9.

7 In light of this conflicting information, I am continuing to recommend an adjustment  
8 to the PWSB's wholesale sales claim. However, I recommend that that the nine-year average  
9 used in my Direct Testimony be updated to reflect the fiscal year 2003 results reported by  
10 Ms. Marchand in her Rebuttal Testimony. This revision would reduce my pro forma  
11 adjustment from \$115,884 to \$91,417, as shown in Schedule ACC-3, Rebuttal.

12  
13 **Q. Are you continuing to recommend that the PWSB's Treatment Plant Related Costs be**  
14 **recovered over two years?**

15 **A.** Yes, I am. Almost 37% of the PWSB's claim relates to these costs. There are two issues  
16 that should be addressed. First, I continue to recommend that the Commission reduce the  
17 Board's claim for amounts already transferred from the Infrastructure Rehabilitation Fund  
18 ("IFR"). I agree with the Commission's statement that "[w]henver funds are taken from  
19 one account and transferred to another, there is an impact on the programs funded by the first  
20 account." However, this impact must be balanced against the impact on ratepayers if the  
21 PWSB's proposed 26% increase is approved. Ratepayers have experienced very significant

1 rate increases over the past ten years, as discussed in my Direct Testimony. In addition, they  
2 are likely to face significant further increases once the new treatment plant is completed.  
3 These rate impacts must be taken into account as the Commission reviews the Board's rate  
4 application. The PWSB has not argued that my recommendation will seriously impact on  
5 service quality, only that my recommendation will result in a delay in the IFR. However,  
6 given the overall magnitude of the Board's IFR, this "delay" is not significant. In addition,  
7 as addressed below, I am still providing ample funds for the specific programs identified by  
8 the Board for its IFR over the next few years.

9 The second issue is the recovery period for these treatment related costs. As stated in  
10 my Direct Testimony, many of these projects are not scheduled until fiscal year 2005.  
11 Moreover, now that the PWSB is moving forward with a new treatment plant facility, some  
12 of these projects may no longer be necessary. Furthermore, permitting these costs to be  
13 recovered over one year will result in excessive rates in subsequent years, when ratepayers  
14 will continue to pay the full cost (again) of these improvements. Given the substantial rate  
15 increases that ratepayers have experienced since 1991, and the likelihood of future rate  
16 increases when the new treatment plant is finished, I believe that my original  
17 recommendation is still reasonable. My adjustment is shown in Schedule ACC-5, Rebuttal.

18  
19 **Q. Are you continuing to recommend that that costs associated with one vacant position be**  
20 **disallowed?**

21 **A.** Yes, I am. In her Rebuttal Testimony, Ms. Marchand stated that there are currently two

1 vacancies and she provided good reasons for not filling those vacancies. However, she did  
2 not provide any rationale for why ratepayers should be required to pay salaries and wages  
3 associated with these positions. Therefore, I continue to recommend that the Commission  
4 reduce the PWSB's total salary and wage claim by at least \$40,174 for the reasons discussed  
5 in my Direct Testimony. My adjustment is shown in Schedule ACC-7. The related payroll  
6 tax expense adjustment is shown in Schedule ACC-9.

7  
8 **Q. As a result of the Board's Rebuttal Testimony, are you revising your recommendation**  
9 **regarding Education and Training Costs?**

10 A. No, I am not. The PWSB included an increase of 60% in its Education and Training costs,  
11 while I am recommending an increase of 33%. In his Rebuttal Testimony at page 2, Mr.  
12 Woodcock states that the New England Water Works Association ("NEWWA") has  
13 increased the fees for training courses by 4-5% and increased the annual Operator's  
14 conference fee by 50%. The overall impact of these increases on the PWSB will still be  
15 lower than the 33% increase that I have included in my revenue requirement  
16 recommendation. Therefore, I continue to recommend that the Commission approve  
17 Education and Training costs of \$10,000. My adjustment is shown in Schedule ACC-11,  
18 Rebuttal.

19  
20 **Q. Has the Board acknowledged that its Postage Costs are overstated?**

21 A. Yes, it has. In my Direct Testimony, I stated that the Board did not adequately explain its

1 projected increase in postage costs and I recommended that the Commission disallow  
2 \$10,750 of the Board's claim. In her Rebuttal Testimony at pages 6-7, Ms. Marchand  
3 discusses these costs and provides an explanation for part of the increase. She also  
4 discusses the fact that there were several errors in the Board's original filing with regard to  
5 these costs. However, the net effect is that the Board now acknowledges that these costs are  
6 overstated by \$3,000. The Board states that this amount should still be included in its  
7 revenue requirement and "applied to other areas".  
8

9 **Q. Do you agree?**

10 A. No, I do not. It is incumbent upon the Board to make an accurate filing and to provide the  
11 best documentation to support each of its claim. The Board has now acknowledged that  
12 these costs are overstated. In addition, if the Board does not undertake the projected  
13 additional mailings in the rate year, the amount by which these costs are overstated could be  
14 significantly greater than the \$3,000 quantified by the Board. At a minimum, the  
15 Commission should reduce the Board's claim by \$3,000. My adjustment is shown in  
16 Schedule ACC-11, Rebuttal.  
17

18 **Q. Do you continue to recommend that the Commission disallow the Board's claim for a**  
19 **Penalty from the Environmental Protection Agency ("EPA")?**

20 A. Yes, I do. In her Rebuttal Testimony, Ms. Marchand stated on page 6 that the PWSB is  
21 "simply requesting coverage for this expense." However, the fact remains that including this

1 expense in rates would clearly constitute retroactive ratemaking. This penalty has already  
2 been paid and there is no reason to believe that this expense will reoccur in the future.  
3 Therefore, it would be inappropriate to include this penalty in future rates. In addition, the  
4 Board is requesting a one-year recovery period for this claim. Therefore, if the Commission  
5 accepts the Board's claim and if new rates are effective for more than twelve months, then  
6 the Board will actually over-recover from ratepayers. Finally, the fact that the PWSB was  
7 unaware of the requirement for a stand-alone spill prevention plan, which resulted in the  
8 penalty being imposed, does not change the fact that the Board, and not its ratepayers, is  
9 ultimately responsible for compliance with EPA regulations. Therefore, I continue to  
10 recommend that the Commission eliminate this expense from the Board's revenue  
11 requirement. My adjustment is shown in Schedule ACC-12, Rebuttal.

12  
13 **Q. Has the Board justified the significant increase being requested in chemical costs?**

14 **A.** No, it has not. Mr. Woodcock has slightly revised the Board's claim, including eliminating  
15 the inflation adjustment that he included in his Direct Testimony. However, the Board is still  
16 projecting an increase of 57% over the test year actual expense. The Board has still failed to  
17 explain the reason for much of this increase. In response to DIV 4-1, the Board stated that it  
18 planned to add one additional chemical in the rate year that had previously been not been  
19 used. However, this only accounts for approximately \$75,000 of the projected increase.

1 **Q. What do you recommend?**

2 A. I continue to recommend that at least some of the increase proposed by the Board be  
3 disallowed. In response to DIV 4-1, the Board provided a worksheet showing estimated  
4 chemical costs based on actual bids received for 2003. This worksheet included all  
5 chemicals used by the PWSB, with one exception. Therefore, I am recommending that the  
6 Commission approve a chemical expense claim of \$310,854, as shown on this response,  
7 adjusted to include an additional \$8,138 for sodium hypo which is not included in the  
8 response to DIV 4-1. This results in total chemical costs of \$318,992. This expense is  
9 above the actual test year amount and well above the amount recommended in my Direct  
10 Testimony but well below the \$402,208 being requested by the Board. My adjustment is  
11 shown in Schedule ACC-14, Rebuttal.

12  
13 **Q. As a result of the Board's Rebuttal Testimony, are you making any changes to your**  
14 **claim for Regulatory Commission Costs?**

15 A. Yes, I am making a small revision to the adjustment discussed in my Direct Testimony.  
16 In my Direct Testimony, I recommended that the Board's pro forma regulatory  
17 commission expenses be based on the costs for the past three rate cases, as reported in the  
18 Annual Reports to the Commission. Mr. Bebyn pointed out on pages 3-4 of his Rebuttal  
19 Testimony that the Board did not report costs for Docket No. 3193 in the Annual Report.  
20 This docket was the cost of service study investigation that was filed subsequent to the  
21 revenue requirement filing in Docket No. 3164. Thus, costs for Docket No. 3164 and No.

1 3193 actually constituted one rate case proceeding. I agree with Mr. Bebyn that costs for  
2 Docket No. 3193 should be included in my adjustment. Therefore, at Schedule ACC-17,  
3 Rebuttal, I have revised my adjustment to include the costs for Docket No. 3193.

4 The Board is claiming a one-year recovery of rate case costs of \$158,983, which is  
5 significantly greater than the costs incurred for any of the last three dockets. My  
6 recommendation to use an average of the last three cases, and to then amortize those costs  
7 over a two-year period, is much more reasonable than the one-year recovery of \$158,983  
8 requested by the Board. Moreover, since rate case costs fluctuate from case-to-case, due  
9 to the complexity of the issues and the extent to which outside firms are engaged, there is  
10 no need to include an inflation adjustment in developing the pro forma expense claim.  
11

12 **Q. Please comment on Mr. Woodcock's statement on page 4 of his Rebuttal Testimony**  
13 **that the annual IFR funding is in excess of \$2.6 million starting in fiscal year 2003.**

14 A. Mr. Woodcock ignores the fact that many of the projects included in the IFR are treatment  
15 plant related projects which the Board included in the IFR budget but which would not  
16 normally be funded through the IFR. Recovery for all of these projects has been included in  
17 my revenue requirement recommendation, although I am recommending a two-year recovery  
18 rather than the one-year recovery requested by the Board. Moreover, once these projects are  
19 completed, the Board's annual IFR budget drops to under \$2 million per year, as stated in my  
20 Direct Testimony and as shown in the Board's response to DIV 1-2.  
21



1 **Q. Are you proposing “an arbitrary 50% cut in the IFR funding” as stated by Mr.**  
2 **Woodcock in his Rebuttal Testimony at page 4, lines 21?**

3 A. No, I am not proposing any cut in the IFR funding. The PWSB’s current rates include  
4 \$2,033,039 in IFR funding and I am not recommending any reduction in that amount. My  
5 adjustment is directed solely at the incremental increase being requested by the Board, which  
6 the Board is requesting in order to undertake certain treatment plant improvements and other  
7 projects required as a result of the delay in the new treatment plant. In addition, I am  
8 providing for 100% recovery of these incremental costs over a two-year period. As  
9 discussed in my Direct Testimony, these projects will not all be undertaken in the rate year.  
10 Moreover, providing for full recovery over one year will result in excessive rates being  
11 charged to ratepayers in subsequent years, assuming that the rates established in this case are  
12 effective for a for a period exceeding twelve months. Therefore, I continue to recommend a  
13 two-year recovery for these incremental costs, as shown in Schedule ACC-19, Rebuttal.

14  
15 **Q. Please comment on Mr. Woodcock’s statement on page 6 of his Rebuttal Testimony**  
16 **that if your Operating and Maintenance Reserve account recommendation is adopted,**  
17 **“full funding of this reserve would not occur until June 30, 2006”.**

18 A. Mr. Woodcock suggests that it is my recommendation that will delay full funding while  
19 actually it is the Board’s failure to adequately fund this reserve in the past that is responsible  
20 for any delay. Mr. Woodcock states on page 5 of his Rebuttal Testimony that the agreement  
21 in Docket 3378 was to fund a reserve of \$1,630,284 (\$543,428 X three years) by December

1           31, 2004. Therefore, the fund should have a balance of \$815,142 at June 30, 2003, the  
2           midpoint of the three-year period. However, as shown in Schedule ACC-20, Rebuttal, at the  
3           current funding level, the reserve was expected to have a balance of only \$483,214 after  
4           eighteen months of funding. Therefore, the required increase in the reserve is due not only  
5           to the incremental revenue requirement in this case but also to the fact that the original  
6           funding of the reserve is not on schedule to be completed as anticipated in Docket No. 3378.

7  
8           Given the fact that funding to date has been significantly less than anticipated by the  
9           parties in Docket No. 3378, it is unreasonable for the Board to now request an accelerated  
10          schedule in order to catch-up. Therefore, I continue to recommend that that any incremental  
11          funding requirements be recovered over a three-year period. I have made a further  
12          adjustment to the reserve requirement based on the updated level of operating and  
13          maintenance expenses that I recommend be adopted in this Rebuttal Testimony.

14  
15   **Q. Have you updated your Operating Revenue Allowance recommendation?**

16   A. Yes, I have updated the operating reserve allowance recommendation consistent with the  
17          other updates included in this testimony. However, I continue to recommend that the  
18          operating revenue allowance of 1.5% be applied only to the PWSB's operating and  
19          maintenance expenses. As stated in my Direct Testimony, these costs are subject to greater  
20          variation and uncertainty than the capital costs included in the PWSB's filing. This  
21          methodology is also be consistent with the debt covenant reserve requirement, which is also

based on operating and maintenance expenses rather than total costs. My adjustment is shown in Schedule ACC-21, Rebuttal.

**IV. CONCLUSION**

**Q. Please provide a brief summary of your Surrebuttal Testimony?**

A. As a result of the Board's Rebuttal Testimony and other information received since my Direct Testimony was filed, the following adjustments are no longer in dispute: Health Benefits Expense, Printing (Administration), Printing (Customer Service), Outside Services (Customer Service), Property Taxes, Beeper Stipends, Leak Detection Costs, Capital Leases, Overtime, Retail Revenues, and Surcharge Revenues. I am still recommending adjustments to the Board's claims for Wholesale Revenue, Treatment Plant Related Costs, Salaries and Wages, Training and Education, Postage, Non-Recurring Costs, Chemical Costs, Regulatory Commission Expense, Infrastructure Rehabilitation Funding, Operating and Maintenance Reserve, and Operating Revenue Allowance. The revenue requirement impact of each of these adjustments is as follows:

Wholesale Revenue	\$ 91,417
Treatment Plant Related Costs	\$748,700
Salaries and Wages	\$ 40,174
Payroll Taxes	\$ 3,073
Training and Education	\$ 2,000
Postage	\$ 3,000

1	Non-Recurring Costs	\$ 2,000
2	Chemical Costs	\$ 79,448
3	Regulatory Commission Expense	\$100,324
4	Infrastructure Rehabilitation	\$319,000
5	Operating and Maintenance Reserve	\$231,864
6	Operating Revenue Allowance	\$102,102

7  
8 It should be noted that my adjustments relating to Treatment Plant Related Costs,  
9 Infrastructure Rehabilitation Funding, and the Operating Reserve are primarily timing  
10 differences rather than disallowances. Based on my adjustments to the Board's filing, I am  
11 recommending a revenue increase of \$1,362,967, or 11.99% over total rate revenue at present  
12 rates.

13  
14 **Q. Does this conclude your Surrebuttal Testimony?**

15 **A.** Yes, it does.

**PAWTUCKET WATER SUPPLY BOARD**Schedule ACC-1  
Rebuttal**RATE YEAR ENDING JUNE 30, 2004****REVENUE REQUIREMENT SUMMARY**

	Board Request	Recommended Adjustments		Recommended Position
	(A)			
1. Present Rate Revenue (B)	\$11,277,415	\$0	(C)	\$11,277,415
2. Miscellaneous Revenue	273,915	0	(D)	273,915
3. Total Pro Forma Revenue	\$11,551,330	\$0		\$11,551,330
<b>Operating Expenses</b>				
4. Administrative Expenses	\$2,177,764	\$0	(E)	\$2,177,764
5. Customer Services Expenses	223,428	0	(F)	223,428
6. Sources of Supply Expenses	827,686	0	(G)	827,686
7. Pumping Expenses	651,329	0	(H)	651,329
8. Purification Expenses	2,401,876	0	(I)	2,401,876
9. Transmission and Distribution	1,277,759	0	(J)	1,277,759
10. Engineering Expenses	473,807	0		473,807
11. Meter Department Expenses	430,145	0	(K)	430,145
<b>Capital Costs</b>				
12. RICWFA Expense	\$100,000	\$0		\$100,000
13. Bond Principal	930,000	0		930,000
14. Bond Interest	1,291,045	0		1,291,045
15. Lease Payments	110,689	0	(L)	110,689
16. Infrastructure Rehabilitation	2,671,039	0	(M)	2,671,039
17. Treatment/Pumping/Storage	149,200	0	(H)	149,200
18. O&M Reserve Deposit	705,316	0	(N)	705,316
19. R&R Reserve Deposit	0	0		0
20. TOTAL EXPENSES	\$14,421,083	\$0		\$14,421,083
21. Plus Operating Income	\$216,316	0	(O)	216,316
22. REVENUE REQUIREMENT	\$14,637,399	\$0		\$14,637,399

23. REQUIRED RATE INCREASE (\$	<u>\$3,086,069</u>	<u>\$0</u>	<u>\$3,086,069</u>
24. REQ. INCREASE - RATE REV.	27.37%		27.37%
25. REQ. INCREASE - TOTAL REV.	26.72%		26.72%

Sources:

- (A) CPNW Rebuttal Schedule 1.0.
- (B) CPNW Rebuttal Schedule 5.0, page 2 of 2.
- (C) Schedule ACC-3, Rebuttal.
- (D) Withdrawn.
- (E) Schedule ACC-6, Rebuttal.
- (F) Schedule ACC-11, Rebuttal.
- (G) Withdrawn.
- (H) Schedule ACC-5, Rebuttal.
- (I) Schedules ACC-5, Rebuttal.
- (J) Withdrawn.
- (K) Withdrawn.
- (L) Schedule ACC-18, Rebuttal.
- (M) Schedule ACC-19, Rebuttal.
- (N) Schedule ACC-20, Rebuttal.
- (O) Schedule ACC-21, Rebuttal.

Schedule ACC-3  
Rebuttal

**PAWTUCKET WATER SUPPLY BOARD**

**RATE YEAR ENDING JUNE 30, 2004**

**WHOLESALE SALES**

1. Nine Year Average (HCF)	695,457	(A)
2. PWSB Claim (HCF)	<u>630,530</u>	(B)
3. Recommended Adjustment (HCF)	64,927	
4. Current Rate	<u>\$1.408</u>	(B)
5. Pro Forma Revenue Adjustment	<u>\$91,417</u>	

Sources:

(A) Testimony of Ms. Crane, page 11, updated for  
fiscal year 2003.

(B) Response to DIV 1-31.

Schedule ACC-5  
Rebuttal

**PAWTUCKET WATER SUPPLY BOARD**

**RATE YEAR ENDING JUNE 30, 2004**

**TREATMENT PLANT RELATED COSTS**

	Total Costs	Previously Funded	Remaining Costs	
1. Purification Costs Relating to Delays	\$898,500	\$250,500	\$648,000	(A)
2. Pumping Costs Relating to Delays	90,000	0	90,000	(B)
3. Interim Costs Covered Under DBO	149,200	109,200	40,000	(C)
4. Total Costs	\$1,137,700	\$359,700	\$778,000	
5. Recovery over Two Years			\$389,000	
6. Recommended Adjustment			<u>\$748,700</u>	(D)
Allocation of Adjustment:				
Purification			\$574,500	
Pumping			\$45,000	
Other			\$129,200	

Sources:

(A) CPNW Rebuttal Schedule 1.0, page 3.

(B) CPNW Rebuttal Schedule 1.0, page 2.

(C) CPNW Rebuttal Schedule 1.0, page 5.

(D) Total costs per PWSB of \$1,137,700 less recommended annual recovery of \$389,000.



**PAWTUCKET WATER SUPPLY BOARD**

**RATE YEAR ENDING JUNE 30, 2004**

**SUMMARY OF ADMINISTRATIVE ADJUSTMENTS**

	<b>Schedule No.</b>
1. Salaries and Wages	\$40,174 7, Rebuttal
2. Overtime Costs	0
3. Payroll Taxes	3,073 9, Rebuttal
4. Benefits Expense	0
5. Training and Education	2,000 11, Rebuttal
6. Printing	0
7. Coast Guard Penalty	2,000 12, Rebuttal
8. Regulatory Commission Expenses	<u>100,324</u> 17, Rebuttal
9. Total Administrative Expenses	<u>\$147,571</u>

Schedule ACC-7  
Rebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING JUNE 30, 2004

SALARIES AND WAGES

1.	Total Salary and Wages Ex. Administration	\$ 2,330,078 (A)
2.	Number of Employees Ex. Administration	<u>58 (A)</u>
3.	Average Salary/Wage Per Employee	\$ 40,174
4.	Recommended Adjustment	<u>\$ 40,174</u>

Sources:

(A) Response to DIV 1-12.

Schedule ACC-9  
Rebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING JUNE 30, 2004

PAYROLL TAXES

1.	Recommended Salary and Wage Adjustmen	\$ 40,174 (A)
2.	Payroll Taxes @ 7.65%	<u>7.65% (B)</u>
3.	Recommended Payroll Tax Adjustment	<u>\$ 3,073</u>

Sources:

(A) Schedule ACC-7, Rebuttal.

(B) CPNW Rebuttal Schedule 1.3, page 1.

Schedule ACC-11  
Rebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING JUNE 30, 2004

OTHER BUDGET ITEMS

		PWSB Claim	Rec. Amount	Rec. Adj.	
		(A)	(B)		
1.	Training and Education - Admin	\$ 12,000	\$ 10,000	\$ 2,000	(C)
2.	Printing - Admin				(D)
3.	Outside Services - Cus. Ser.				(E)
4.	Printing - Cus. Ser.				(D)
5.	Postage - Cus. Ser.	32,000	29,000	<u>3,000</u>	(F)
6.	Total			\$ 5,000	

Sources:

(A) CPNW, Rebuttal Schedule 1.

(B) Testimony of Ms. Crane.

(C) Reflects amount included in current rates.

(D) Withdrawn.

(E) Withdrawn.

(F) Per Rebuttal Testimony of Ms. Marchand, page 7.

**PAWTUCKET WATER SUPPLY BOARD**

**RATE YEAR ENDING JUNE 30, 2004**

**NON-RECURRING COSTS**

1. US Coast Guard Spill Penalty	\$2,000	(A)
2. Recommended Adjustment	<u>\$2,000</u>	

Sources:

(A) Responses to DIV 1-40 and 3-11.

**PAWTUCKET WATER SUPPLY BOARD**

**RATE YEAR ENDING JUNE 30, 2004**

**CHEMICAL COSTS**

1. Pro Forma Chemical Costs Based on Bids	\$310,854	(A)
2. Sodium Hypo.	<u>8,138</u>	(B)
3. Total Pro Forma Costs	\$318,992	
4. Adjustment for Wholesale Sales	<u>3,769</u>	(C)
5. Total Recommended Chemical Costs	\$322,760	
6. PWSB Claim	<u>402,208</u>	
7. Recommended Adjustment	<u>\$79,448</u>	

Sources:

(A) Response to DIV 4-1.

(B) CPNW Rebuttal Schedule 1.1, page 2.

(C) Volume adjustment per Schedule ACC-3, Rebuttal, X Pro Forma Costs  
per line 3 divided by claimed volumes of 5,495,250 HCF.

Schedule ACC-17  
Rebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING JUNE 30, 2004

REGULATORY COMMISSION EXPENSES

1.	Docket No. 3378	\$ 136,401 (A)
2.	Docket Nos. 3164 and 3193	\$ 95,052 (B)
3.	Docket No. 2674	<u>\$ 120,501 (A)</u>
4.	Average of Last Three Cases	\$ 117,318
5.	Recovery Period - Years	<u>\$ 2 (C)</u>
6.	Annual Recovery	\$ 58,659
7.	PWSB Claim	<u>\$ 158,983 (D)</u>
8.	Recommended Adjustment	\$ 100,324

Sources:

(A) Annual Report to the Commission for 2002 Fiscal Year,  
page 35.

(B) Costs for Docket No. 3164 per Annual Report to the  
Commission for the 2002 Fiscal Year, page 35; costs for  
Docket No. 3193 per page 4 of Mr. Bebyn's Rebuttal Testimony.

(C) Testimony of Ms. Crane, page 27.

(D) CPNW Rebuttal Schedule 1.0, page 1.

Schedule ACC-19  
Rebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING JUNE 30, 2004

INFRASTRUCTURE REHABILITATION

1.	PWSB Requested IFR Increase	\$ 638,000 (A)
2.	Recommended Recovery Period	<u>2</u> (B)
3.	Recommended Annual Increase	319,000
4.	Recommended Adjustment	<u>\$ 319,000</u> (C)

Sources:

- (A) CPNW Rebuttal Schedule 1.0, page 5.  
(B) Direct Testimony of Ms. Crane, page 29.  
(C) Line 1 - Line 3.



Schedule ACC-20  
Rebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING JUNE 30, 2004

OPERATING AND MAINTENANCE RESERVE

1.	Rate Year Operating and Maintenance Expense	\$ 7,614,275 (A)
2.	Required Reserve @ 25%	1,903,569 (B)
3.	Average Monthly Deposit	40,268 (C)
4.	Deposits through June 30, 2003	<u>483,214 (D)</u>
5.	Required Balance	\$ 1,420,355 (E)
6.	Recovery Period	<u>3 (F)</u>
7.	Annual Recovery	\$ 473,452 (G)
8.	PWSB Claim	<u>705,316 (F)</u>
9.	Recommended Adjustment	<u><u>\$ 231,864</u></u>

Sources:

(A) Schedule ACC-1, Rebuttal, lines 4-11.

(B) 25% of Line 1.

(C) Derived from response to COM 1-2.

(D) Reflects 12 months of deposits.

(E) Line 2 - Line 4.

(F) CPNW Rebuttal Schedule 1.1, page 2.

(G) Line 5 / Line 6.

**PAWTUCKET WATER SUPPLY BOARD**

**RATE YEAR ENDING JUNE 30, 2004**

**OPERATING REVENUE ALLOWANCE**

1. Operating and Maintenance Expenses	\$7,614,275	(A)
2. Operating Income @ 1.5%	114,214	(B)
3. PWSB Claim	<u>216,316</u>	(C)
4. Recommended Adjustment	<u>(\$102,102)</u>	

Sources:

(A) Schedule ACC-1, Rebuttal, lines 4-11.

(B) 1.5% of Line 1.

(C) CPNW Rebuttal Schedule 1.0, page 5.